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FOR IMMEDIATE RELEASE

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FS Bancorp Reports June 30, 2023 Financial Results

LAGRANGE, IN. – FS Bancorp (the “Company”) (OTCPK: FXLG) parent company of Farmers State Bank (the “Bank”) announced earnings for the quarter ended June 30, 2023.

FS Bancorp is pleased to report solid earnings for the quarter ending June 30, 2023. Net income for the quarter ended June 30, 2023 was \$3.7 million compared to \$4.2 million for the same quarter of 2022. Core earnings continued to be solid with net interest income remaining relatively stable in a volatile interest rate environment. Inflation, higher FDIC insurance premiums, higher legal and compliance costs, increased self-funded medical insurance claims, and other factors led to higher overhead costs during 2023 resulting in slightly lower net income. Highlights of the second quarter of 2023 included the following items:

- FS Bancorp was ranked 23rd on the American Banker Association (ABA) list of top 200 banks (assets below \$2 billion) based on average return on equity for 2020 to 2022. FS Bancorp was the highest ranked bank in Indiana for our asset size category on the ABA’s report this year.
- Total loans were \$753 million at June 30, 2023 compared to \$712 million at June 30, 2022.
- Total deposits were \$1,022,057,000 at June 30, 2023 compared to \$1,045,309,000 at June 30, 2022, which represents a 2% decrease. Total deposits include \$30,951,000 and \$4,713,000 of brokered deposits at June 30, 2023 and 2022, respectively. The changes in the deposit mix at June 30, 2023 represented the demand for clients to earn more interest on their excess funds and consumers spending excess liquidity.
- We maintained a solid balance sheet liquidity profile. At June 30, 2023, cash and due from banks totaled \$80.9 million. Additionally, our investment portfolio contains \$96.7 million in investments that are either floating rate or mature by June 30, 2025.
- We sold approximately \$10 million of investment securities during the quarter that resulted in a net loss on the sale of securities of \$249,000.

- We have recognized a gain on our interest rate cap of \$219,000 during the second quarter of 2023, which is included in Other income.
- We have meaningful borrowing capacity with the Federal Home Loan Bank of Indianapolis (FHLBI), Federal Reserve and other institutions totaling more than \$450 million. Our borrowing capacity is greatly enhanced by the significant assets including mortgage loans that we pledge as collateral to FHLBI. Based on existing mortgage loans pledged as collateral to FHLBI, Farmers State Bank has the ability to borrow \$228 million beyond the current outstanding borrowings which only totaled \$20 million at June 30, 2023. We are in the process of pledging commercial loans to the Federal Reserve Bank to increase our current borrowing capacity of \$70 million.
- Asset quality remained very good through the first quarter of 2023. Net charge-offs during the second quarter of 2023 totaled \$20,000, and total delinquencies were 0.22% of loans at June 30, 2023.
- We are maintaining some of the strongest capital ratios in the history of the Company. Our Tier 1 leverage ratio was 9.5% at June 30, 2023 compared to 8.7% at June 30, 2022. Our total capital ratio was 17.3% at June 30, 2023 compared to 16.1% at June 30, 2022.
- There may be changes to the Internal Revenue Services' (IRS) treatment of captive insurance subsidiaries. There may be future changes to our organizational structure as a result of actions taken by the IRS that may negatively impact earnings in the period the change is enacted. Subsequent earnings of the Company are not expected to be materially impacted.

We are very pleased that we have had a good start to 2023. Our entire team is focused on growing our Company and implementing changes that will be a benefit to our customers, employees, and the communities we serve. Thank you for your continued investment in FS Bancorp and your support of our Farmers State Bank team.

Forward Looking Statements

This press release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include expressions such as "expects," "intends," "believes," and "should," which are necessarily statements of belief as to the expected outcomes of future events. Actual results could materially differ from those presented. The Company's ability to predict future results involves a number of risks and uncertainties. The Company undertakes no obligation to release revisions to these forward-looking statements or reflect events or circumstances after the date of this release.

Founded in 1915 in Stroh, Indiana, Farmers State Bank is one of northeast Indiana's leading financial institutions and the home of Blue Button Banking. With corporate headquarters in LaGrange, Indiana, Farmers State Bank has been providing banking and financial services to both consumers and businesses for the past 100 years. To learn more, visit GoFSB.com.

FS BANCORP
CONSOLIDATED BALANCE SHEETS
June 30, 2023 and 2022 (Unaudited)

(Dollars in thousands)	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>
Assets		
Cash and due from banks	\$ 80,928	\$ 94,640
Investment securities	263,921	297,531
Federal Home Loan Bank stock	6,136	2,143
Total loans	753,281	711,703
Less allowance for credit losses	(7,030)	(6,679)
Loans, net	746,251	705,024
Premises and equipment, net	10,123	10,261
Cash surrender value of life insurance	19,239	18,785
Goodwill and other intangible assets	2,604	2,604
Other assets	17,704	15,445
Total Assets	<u>\$ 1,146,906</u>	<u>\$ 1,146,433</u>
Liabilities		
Deposits		
Noninterest-bearing demand	\$ 268,085	\$ 287,838
Interest-bearing demand	452,112	457,739
Savings	180,139	193,827
Time under \$250,000	99,151	73,301
Time \$250,000 and over	22,570	32,604
Total deposits	1,022,057	1,045,309
Repurchase agreements	4,479	7,457
Federal Home Loan Bank advances	20,000	-
Other liabilities	6,897	6,683
Total Liabilities	1,053,433	1,059,449
Shareholders' Equity		
Common stock: No par value, 10,000,000 shares authorized; 4,763,904 shares issued and 4,286,713 and 4,327,532 shares outstanding 2023 and 2022	149	149
Paid-in capital	2,970	3,017
Retained earnings	122,657	111,341
Net unrealized gains (losses) on securities	(22,888)	(19,663)
Less treasury stock, at cost; 477,191 and 436,372 shares 2023 and 2022	(9,415)	(7,860)
Total Shareholders' Equity	93,473	86,984
Total Liabilities and Shareholders' Equity	<u>\$ 1,146,906</u>	<u>\$ 1,146,433</u>

FS BANCORP
CONSOLIDATED STATEMENTS OF INCOME

For the Three and Six Months Ended June 30, 2023 and 2022 (Unaudited)

(Dollars in thousands except earnings per share)	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest Income				
Interest and fees on loans	\$ 9,695	\$ 7,621	\$ 18,939	\$ 14,866
Interest on investment securities	1,475	1,424	3,032	2,771
Other interest and dividend income	999	184	1,788	234
Total Interest Income	12,169	9,229	23,759	17,871
Interest Expense				
Interest on deposits	3,268	399	6,119	665
Interest on FHLB advances and other borrowings	153	1	353	1
Total Interest Expense	3,421	400	6,472	666
Net Interest Income	8,748	8,829	17,287	17,205
Credit loss expense - loans	48	60	48	100
Net Interest Income after Provision for Loan Losses	8,700	8,769	17,239	17,105
Noninterest Income				
Service charges on deposit accounts	499	496	1,053	945
Credit and debit card income	872	900	1,707	1,713
Mortgage banking	71	89	94	237
Gains and (losses) on securities	(249)	-	(224)	-
Other income	482	275	661	558
Total Noninterest Income	1,675	1,760	3,291	3,453
Noninterest Expenses				
Salaries and employee benefits	3,345	3,117	6,638	6,278
Occupancy expense on premises, furniture and equipment, net	498	488	997	1,008
Data processing expense	611	505	1,125	1,025
Advertising and marketing expense	114	150	264	274
Other expenses	1,431	1,234	2,848	2,327
Total Noninterest Expenses	5,999	5,494	11,872	10,912
Income Before Income Taxes	4,376	5,035	8,658	9,646
Income tax expense	696	807	1,312	1,565
Net Income	\$ 3,680	\$ 4,228	\$ 7,346	\$ 8,081
Basic Earnings Per Share	\$ 0.86	\$ 0.97	\$ 1.71	\$ 1.86
Diluted Earnings Per Common Share	\$ 0.85	\$ 0.97	\$ 1.70	\$ 1.85